

# **PASTOR RESOURCE GUIDE**

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# Church Finances & Administration Resources

## Trusted Resources for Pastors, Treasurers & Church Boards

**Good administration supports good ministry.** Pastors do not need to become accountants, attorneys, or tax experts—but they should know the basic principles of church financial administration and know **where to go for reliable answers.**

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## 1. ASSEMBLIES OF GOD — CHURCH ADMINISTRATION

### Assemblies of God (USA) — Church Resources

**Best for:** AG governance, church bylaws, board structure, records, financial and administrative matters.

Look for:

- **Financial & Administration Matters**
- **Recommended Church Bylaws**
- **Records & Forms**
- **Deacon Qualifications**
- **Safety & Supervision of Minors**

The General Council provides church resources and recommended bylaws designed to assist local AG churches with governance and administration. ([Assemblies of God](#))

**Use this first when the question involves AG governance or church structure.**

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## 2. MINISTER COMPENSATION & RETIREMENT

### AGFinancial

**Best for:** Minister retirement, 403(b) plans, housing allowance, retirement planning, and financial education.

Key resources include:

- **AGFinancial 403(b) Retirement Plan**
- **Minister's Housing Worksheet**

- Retired Minister Housing Allowance information
- **Church & Minister Tax Guide** available to AG ministers
- Church retirement planning

The AGFinancial 403(b) plan is specifically designed for AG ministers and ministry employees and is endorsed by the General Council of the Assemblies of God. ([AGFinancial](#))

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### 3. CLERGY & CHURCH TAX QUESTIONS

#### Internal Revenue Service — IRS

Start with these publications:

##### **IRS Publication 517**

*Social Security and Other Information for Members of the Clergy and Religious Workers*

Use for:

- Minister tax status
- SECA/Social Security
- Income tax
- Ministerial earnings
- Estimated taxes and withholding ([IRS](#))

##### **IRS Publication 1828**

*Tax Guide for Churches and Religious Organizations*

Use for general federal tax rules affecting churches and religious organizations. ([IRS](#))

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### 4. CHURCH & CLERGY TAX REFERENCE

#### Church Law & Tax — Richard R. Hammar

**Best for:** More complicated church tax, legal, payroll, compensation, housing allowance, contribution, and reporting questions.

Recommended:

##### **Church & Clergy Tax Guide**

Topics include:

- Minister compensation
- Housing allowance
- Business expenses
- Charitable contributions
- Social Security
- Retirement
- Church reporting
- Federal tax issues

The guide is updated to address current church and clergy tax requirements. ([Church Law & Tax](#))

**This should be one of the primary reference resources for every church office.**

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## 5. FINANCIAL ACCOUNTABILITY & GOVERNANCE

### ECFA — Evangelical Council for Financial Accountability

**Best for:** Financial integrity, governance, internal controls, stewardship, budgeting, and financial reporting.

Look for:

- Financial Management Resources
- Governance Resources
- **Accounting & Financial Reporting Guide for Churches and Ministries**
- Church financial management tools and training

ECFA's resources emphasize responsible governance, financial management, stewardship, and accountability. ([ECFA](#))

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## 6. INSURANCE, RISK & INTERNAL CONTROLS

### Brotherhood Mutual

**Best for:** Church insurance, risk management, safety, fraud prevention, and financial controls.

Useful resources include:

- **Financial Controls Checklist**
- Offering & Disbursement Checklist

- Church Safety Resources
- Risk Management Resources
- Ministry Insurance

Their church-specific checklists can help churches evaluate offering procedures, disbursements, fraud prevention, and financial controls. ([Brotherhood Mutual](#))

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## EVERY CHURCH SHOULD HAVE A PROFESSIONAL TEAM

Do not expect the pastor or church treasurer to know everything.

Develop relationships with:

### **CPA / Tax Professional**

Preferably one experienced with **churches and clergy taxation**

### **Attorney**

Preferably one experienced with **churches and nonprofit organizations**

### **Insurance Professional**

Experienced with **church and ministry risk**

### **Financial / Retirement Advisor**

Experienced with **ministerial compensation and retirement**

**The cost of good professional advice is usually much less than the cost of correcting a serious mistake.**

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## PASTOR'S ANNUAL FINANCIAL & ADMINISTRATIVE CHECKLIST

Each year, make sure your church:

- Approves an annual ministry budget
- Designates ministerial housing allowances **in advance**
- Reviews pastoral and staff compensation
- Reviews retirement contributions and benefits

- Reviews bank signers and online banking permissions
  - Reviews financial policies and internal controls
  - Provides annual donor contribution statements
  - Completes required payroll and tax reporting
  - Reviews insurance coverage
  - Reviews restricted/designated fund balances
  - Reviews operating and capital reserves
  - Conducts an annual financial review, audit, or other appropriate independent review
  - Reviews bylaws, policies, board minutes, and corporate records
- 

## **THREE RULES TO REMEMBER**

### **1. DOCUMENT IT.**

If the board makes an important financial decision, put it in the minutes.

### **2. SEPARATE DUTIES.**

Whenever possible, one person should not receive, record, spend, and reconcile church funds.

### **3. ASK BEFORE ACTING.**

When dealing with taxes, compensation, housing allowance, employment issues, designated gifts, major contracts, or legal matters, get qualified advice **before** making the decision.

## **Biblical Principle**

**"We aim at what is honorable not only in the Lord's sight but also in the sight of man." —  
2 Corinthians 8:21**

**Faithful administration protects the pastor, protects the church, and strengthens the church's witness.**

*This resource is educational in nature and is not a substitute for professional legal, tax, accounting, or investment advice.*

# Sample Church Budget Template

## Building the Operating Budget from Tithes & Offerings

**Budgeting Principle:** For purposes of evaluating the church's operating budget, percentages should be calculated using **Tithes & Offerings** rather than total receipts. Designated giving and other special-purpose income should be tracked separately and used according to its intended purpose.

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## Annual Church Income

| Income Source                                    | Annual Budget    |
|--------------------------------------------------|------------------|
| <b>Tithes &amp; Offerings — Operating Income</b> | <b>\$500,000</b> |
| Missions Designated Giving                       | \$60,000         |
| Facility Use                                     | \$8,000          |
| Other Income                                     | \$12,000         |
| <b>Total Anticipated Receipts</b>                | <b>\$580,000</b> |

## Operating Budget Base

For purposes of the percentages shown in this handout:

**Tithes & Offerings = \$500,000 = 100% of Operating Budget Base**

The \$60,000 of designated missions giving is **not included** when calculating operating budget percentages.

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## Operating Budget

### 1. Personnel — 50%

| Category                     | Annual Amount |
|------------------------------|---------------|
| Lead Pastor Compensation     | \$85,000      |
| Associate Staff Compensation | \$80,000      |
| Administrative/Support Staff | \$35,000      |
| Payroll Taxes & Benefits     | \$25,000      |

|                                          |                  |
|------------------------------------------|------------------|
| Retirement Contributions                 | \$20,000         |
| Continuing Education & Staff Development | \$5,000          |
| <b>Total Personnel</b>                   | <b>\$250,000</b> |

**Percentage of Tithes & Offerings: 50%**

**Personnel may include:**

- Salaries and wages
- Pastoral housing allowance as part of compensation
- Employer payroll taxes
- Health and other employee benefits
- Employer retirement contributions
- Continuing education
- Staff development

**Budget Guideline:** Personnel costs of approximately **40–55% of Tithes & Offerings** are common for many churches. A percentage consistently above this range may reduce the church's flexibility for ministry, missions, facilities, and future needs.

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## 2. Facilities — 18%

| Category                       | Annual Amount   |
|--------------------------------|-----------------|
| Mortgage/Rent                  | \$40,000        |
| Utilities                      | \$18,000        |
| Property & Liability Insurance | \$10,000        |
| Repairs & Maintenance          | \$10,000        |
| Custodial                      | \$7,000         |
| Grounds                        | \$5,000         |
| Other Facility Expenses        | \$10,000        |
| <b>Total Facilities</b>        | <b>\$90,000</b> |

**Percentage of Tithes & Offerings: 18%**

**Facilities may include:**

- Mortgage or rent
- Utilities
- Property insurance
- Repairs

- Routine maintenance
- Custodial expenses
- Grounds maintenance
- Security
- Facility-related contracts

**Budget Guideline:** A church should carefully monitor facility expenses so buildings support ministry rather than restrict it.

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### 3. Ministry — 15%

| Category                          | Annual Amount   |
|-----------------------------------|-----------------|
| Children's Ministry               | \$12,000        |
| Youth Ministry                    | \$12,000        |
| Adult Discipleship & Small Groups | \$8,000         |
| Outreach & Evangelism             | \$15,000        |
| Worship & Creative Arts           | \$10,000        |
| Guest Speakers & Special Services | \$8,000         |
| Other Ministry Programs           | \$10,000        |
| <b>Total Ministry</b>             | <b>\$75,000</b> |

**Percentage of Tithes & Offerings: 15%**

**Ministry expenses may include:**

- Children's ministry
  - Youth ministry
  - Discipleship
  - Small groups
  - Worship
  - Evangelism
  - Community outreach
  - Special services
  - Leadership development
- 

### 4. Missions — 10%

| Category | Annual Amount |
|----------|---------------|
|----------|---------------|

|                                        |                 |
|----------------------------------------|-----------------|
| World Missions                         | \$25,000        |
| U.S. Missions                          | \$10,000        |
| Church Planting                        | \$5,000         |
| Local Missions & Outreach              | \$5,000         |
| Compassion Ministries                  | \$5,000         |
| <b>Total Operating-Budget Missions</b> | <b>\$50,000</b> |

**Percentage of Tithes & Offerings: 10%**

### **Important: Designated Missions Giving**

In addition to the **\$50,000 provided through the operating budget**, the church anticipates receiving:

**Designated Missions Giving: \$60,000**

These designated gifts should be accounted for separately and used according to the applicable donor restriction or designation.

Therefore:

**Operating Budget Missions: \$50,000**  
**Designated Missions Giving: \$60,000**  
**Total Anticipated Missions Funding: \$110,000**

This means the church is providing substantial missions support while still measuring the operating budget against unrestricted Tithes & Offerings.

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## **5. Administration — 5%**

| Category                      | Annual Amount   |
|-------------------------------|-----------------|
| Office Supplies               | \$4,000         |
| Software & Subscriptions      | \$6,000         |
| Accounting & Payroll          | \$4,000         |
| Legal & Professional Services | \$3,000         |
| Banking & Merchant Fees       | \$3,000         |
| Technology                    | \$5,000         |
| <b>Total Administration</b>   | <b>\$25,000</b> |

**Percentage of Tithes & Offerings: 5%**

## 6. Savings / Capital Reserve — 2%

| Category                               | Annual Amount   |
|----------------------------------------|-----------------|
| Facility Capital Reserve               | \$4,000         |
| Emergency/Operating Reserve            | \$3,000         |
| Technology Replacement                 | \$1,500         |
| Vehicle/Equipment Replacement          | \$1,500         |
| <b>Total Savings / Capital Reserve</b> | <b>\$10,000</b> |

### Percentage of Tithes & Offerings: 2%

**Important:** While this example allocates 2% to reserves in order to demonstrate a balanced \$500,000 operating budget, churches without adequate reserves should consider a larger allocation. A long-term goal of maintaining approximately **3–6 months of operating expenses** in appropriate reserves can provide important financial stability.

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## Operating Budget Summary

| Category                  | % of Tithes & Offerings | Annual Budget    |
|---------------------------|-------------------------|------------------|
| Personnel                 | <b>50%</b>              | \$250,000        |
| Facilities                | <b>18%</b>              | \$90,000         |
| Ministry                  | <b>15%</b>              | \$75,000         |
| Missions                  | <b>10%</b>              | \$50,000         |
| Administration            | <b>5%</b>               | \$25,000         |
| Savings / Capital Reserve | <b>2%</b>               | \$10,000         |
| <b>TOTAL</b>              | <b>100%</b>             | <b>\$500,000</b> |

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## Healthy Budget Targets

The following are **guidelines rather than rigid rules**. Church size, debt, staffing model, building ownership, geography, and ministry strategy can significantly affect appropriate percentages.

| Category   | Suggested Range |
|------------|-----------------|
| Personnel  | <b>40–55%</b>   |
| Facilities | <b>15–25%</b>   |

|                           |                                 |
|---------------------------|---------------------------------|
| Ministry                  | <b>10–20%</b>                   |
| Missions                  | <b>10–15%</b>                   |
| Administration            | <b>5–10%</b>                    |
| Savings / Capital Reserve | <b>5–10% goal when feasible</b> |

## The Key Question

Do not evaluate these percentages against every dollar that passes through the church's accounts.

Instead, ask:

**"Of every dollar given in regular Tithes & Offerings, how are we allocating the resources entrusted to the church?"**

For this example, every **\$1.00 of Tithes & Offerings** is allocated approximately as follows:

- **50¢** — Personnel
- **18¢** — Facilities
- **15¢** — Ministry
- **10¢** — Missions
- **5¢** — Administration
- **2¢** — Savings and Capital Reserves

**Total: \$1.00**

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## Board Discussion Questions

1. Are personnel costs sustainable at our current level of giving?
2. Are our facilities consuming too much of our ministry resources?
3. Are we investing adequately in ministries that accomplish our mission?
4. Does our budget demonstrate a meaningful commitment to missions and outreach?
5. Are we building adequate operating and capital reserves?
6. Which expenses are growing faster than Tithes & Offerings?
7. If giving declined by 10%, what expenses could we adjust without harming essential ministry?

**Stewardship Principle:** A healthy church budget does more than balance income and expenses. It intentionally directs God's resources toward the mission He has entrusted to the church.

# **Annual Church Budget Calendar**

## **January**

Finalize prior-year financial statements

Issue W-2s and 1099s

Review giving trends

## **February**

Department budget reviews

Evaluate ministry effectiveness

Review insurance

## **March**

Capital needs assessment

Facility inspection

Reserve fund review

## **April**

Strategic planning retreat

Mission priorities

Summer ministry planning

## **May**

Review year-to-date financial performance

Evaluate staffing needs

## **June**

Mid-year budget adjustments

Technology review

Vehicle review

## **July**

Department budget requests begin

Mission budgets

Staff planning

## **August**

Executive budget meetings

Personnel planning

Benefit review

## **September**

Draft next year's budget

Review compensation

Update retirement contributions

## **October**

Board budget workshops

Finalize ministry priorities

## **November**

Budget approval

Communicate vision

Leadership training

## **December**

Celebrate God's provision

Review giving

Finalize next year's implementation

# Church Financial Policy Checklist

## Governance

- ☐ Annual budget approved
  - ☐ Board approves expenditures outside budget
  - ☐ Monthly financial reports reviewed
  - ☐ Annual budget review completed
- 

## Cash Handling

- ☐ Two unrelated people count offerings
  - ☐ Offering count sheet completed
  - ☐ Deposits made promptly
  - ☐ Secure storage before deposit
  - ☐ No cash disbursements from offerings
- 

## Banking

- ☐ Separate operating account
  - ☐ Separate missions account
  - ☐ Separate designated funds
  - ☐ Two signatures required over \$ \_\_\_\_\_
  - ☐ Online banking access restricted
- 

## Purchasing

- ☐ Written purchasing policy
  - ☐ Spending limits established
  - ☐ Credit card policy
  - ☐ Receipt required for reimbursement
  - ☐ Expense reimbursement form
- 

## **Payroll**

- ☐ Housing allowance documented annually
  - ☐ Payroll processed correctly
  - ☐ Retirement contributions documented
  - ☐ W-2s issued correctly
  - ☐ 1099s issued where appropriate
- 

## **Internal Controls**

- ☐ Different people authorize, pay, and reconcile
  - ☐ Monthly bank reconciliation
  - ☐ Annual financial review or audit
  - ☐ Fraud policy
  - ☐ Conflict-of-interest policy
- 

## **Record Retention**

- ☐ Payroll records
- ☐ Tax filings

- ☐ Board minutes
  - ☐ Giving records
  - ☐ Financial statements
  - ☐ Insurance policies
- 

## **Risk Management**

- ☐ Property insurance
- ☐ Liability insurance
- ☐ Cyber insurance
- ☐ Workers' Compensation
- ☐ Background checks
- ☐ Child protection policy

# Pastoral Compensation Planning Worksheet

## Building a Healthy Compensation Package

**Principle:** *A pastor's compensation should provide for the needs of the minister and family while allowing the church to be a faithful steward of its resources (1 Timothy 5:17–18).*

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## Annual Compensation Worksheet

### Cash Compensation

| Item                                         | Annual Amount   |
|----------------------------------------------|-----------------|
| Base Salary                                  | \$ _____        |
| Housing Allowance*                           | \$ _____        |
| Social Security/SECA Allowance (if provided) | \$ _____        |
| Bonus/Love Offerings                         | \$ _____        |
| <b>Total Cash Compensation</b>               | <b>\$ _____</b> |

\*The housing allowance must be designated by the church in advance of payment.

### Church-Paid Benefits

| Benefit                          | Annual Amount   |
|----------------------------------|-----------------|
| Health Insurance                 | \$ _____        |
| Dental/Vision                    | \$ _____        |
| Life Insurance                   | \$ _____        |
| Disability Insurance             | \$ _____        |
| Retirement Contribution (403(b)) | \$ _____        |
| Continuing Education             | \$ _____        |
| Conference Allowance             | \$ _____        |
| Technology/Cell Phone            | \$ _____        |
| <b>Total Benefits</b>            | <b>\$ _____</b> |

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## **Accountable Reimbursement Plan**

These should **not** be included in taxable compensation when properly reimbursed.

- ☐ Mileage
- ☐ Business Travel
- ☐ Books
- ☐ Ministry Supplies
- ☐ Meals for Ministry Purposes
- ☐ Conferences
- ☐ Hospitality
- ☐ Office Expenses

## **Compensation Review Checklist**

- ☐ Reviewed annually
  - ☐ Comparable salary information obtained
  - ☐ Housing allowance updated annually
  - ☐ Retirement contribution reviewed
  - ☐ Insurance reviewed
  - ☐ Written compensation agreement approved by board
  - ☐ IRS reporting reviewed
- 

## **Suggested Retirement Goal**

Church Contribution \_\_\_\_\_ %

Pastor Contribution \_\_\_\_\_ %

Combined Goal. **15–20% of compensation**

# Minister Tax Planning Guide

## Understanding Minister Taxes

Ministers have a unique tax status. They are generally considered:

- **Employees for federal income tax purposes** (receiving a W-2)
- **Self-employed for Social Security and Medicare (SECA) purposes**

This dual status creates planning opportunities—and responsibilities.

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## Housing Allowance

A housing allowance:

- ✓ Must be approved by the church **before** it is paid.
  - ✓ May reduce **federal income tax** on qualifying housing expenses (subject to IRS limits).
  - ✓ Is generally **included** when calculating SECA.
- 

## SECA (Self-Employment Contributions Act)

Most ministers pay SECA instead of FICA.

Current combined rate: **15.3%** (subject to applicable wage bases and Medicare rules).

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## Paying Taxes

### Option 1

Quarterly Estimated Payments

OR

### Option 2

Increase federal withholding through payroll to cover both income tax and SECA.

Many ministers find the second option simpler because it helps avoid quarterly estimated payments. Consult a qualified tax professional to determine the best approach for your situation.

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## **Common Tax Deductions**

(Subject to current IRS rules and your individual circumstances.)

Business Mileage

Professional Books

Continuing Education

Business Travel

Professional Memberships

Home Office (limited circumstances)

Retirement Contributions

Health Savings Account (if eligible)

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## **Tax Planning Checklist**

- ☐ Housing allowance approved annually
- ☐ Retirement contributions reviewed
- ☐ Estimated taxes evaluated
- ☐ W-2 reviewed
- ☐ Reimbursement plan used
- ☐ Personal records maintained
- ☐ Tax professional consulted annually

# Year-End Checklist

January

Receive W-2

Review retirement contributions

Collect charitable receipts

Review housing expenses

Schedule tax appointment

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## Helpful Resources

- IRS Publication 517 (Social Security and Other Information for Members of the Clergy and Religious Workers)
- IRS Publication 571 (Tax-Sheltered Annuity Plans (403(b) Plans))
- Richard Hammar, *Church & Clergy Tax Guide* (current annual edition)
- AG Financial Solutions
- ECFA (Evangelical Council for Financial Accountability)

# PASTORAL HOUSING ALLOWANCE

## A Guide for Ministers & Church Boards

### What Is the Housing Allowance?

Federal tax law allows a qualifying **ordained, licensed, or commissioned minister** performing ministerial services to exclude qualifying housing costs from **federal income tax**, subject to specific limits. The housing allowance is part of the minister's compensation; it is a **tax designation**, not additional compensation. (IRS)

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### THE THREE-PART LIMIT

A minister may exclude from federal gross income the **LOWEST** of these three amounts:

| Test                                                                             | Amount                     |
|----------------------------------------------------------------------------------|----------------------------|
| 1. Amount officially designated in advance by the church                         | \$ _____                   |
| 2. Amount actually used to provide the minister's home                           | \$ _____                   |
| 3. Fair rental value of the home, including furnishings, utilities, garage, etc. | \$ _____                   |
| <b>Amount Excludable from Federal Income Tax</b>                                 | <b>Lowest of the three</b> |

The exclusion also cannot cause the minister's compensation to exceed reasonable compensation for services performed. (IRS)

### Example

The church designates **\$30,000** as housing allowance.

- Designated allowance: **\$30,000**
- Actual qualifying housing expenses: **\$27,000**
- Fair rental value + furnishings/utilities: **\$32,000**

**Federal income-tax exclusion = \$27,000**

The remaining **\$3,000** is excess housing allowance and must generally be included in taxable income. (IRS)

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# WHAT EXPENSES COUNT?

The allowance must be used to **rent or otherwise provide a home**. IRS guidance specifically recognizes rent, mortgage interest, utilities, home purchase costs, and other expenses directly related to providing a home; fair rental value considers furnishings and related appurtenances such as a garage. (IRS)

Typical housing records may therefore include expenses associated with:

- Rent or home ownership
- Mortgage-related housing costs
- Utilities
- Real estate taxes
- Homeowners/renters insurance
- Repairs and maintenance
- Furnishings and appliances
- Other costs directly related to providing the home

**Keep receipts and records.** The minister—not the church—is responsible for substantiating the amount actually used to provide the home.

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## THE CHURCH MUST DESIGNATE IT IN ADVANCE

The employing church or qualified organization must officially designate a **definite amount before it is paid**. The designation cannot be made retroactively. It may be documented through a board resolution, church minutes, employment agreement, budget, or other official action. (IRS)

### Sample Board Resolution

**Resolved:** Of the total compensation to be paid to Pastor \_\_\_\_\_ for the calendar year \_\_\_\_\_, **the church hereby designates** \*\*\$\_\_\_\_\_\*\* as a housing allowance pursuant to Section 107 of the Internal Revenue Code, to the extent the amount is used to provide a home and does not exceed the applicable federal limitations.

**Best Practice:** Adopt the housing allowance resolution **before January 1 each year** and record it in the official board minutes.

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# IMPORTANT: HOUSING ALLOWANCE & SECA

## Income Tax

- ☑ Qualifying housing allowance may be excluded from **federal income tax**.

## Social Security & Medicare

- ✗ The exclusion generally **does not apply to self-employment tax (SECA)**.

A minister generally includes the housing allowance—or the fair rental value of a church-provided parsonage—in ministerial earnings when calculating SECA, unless the minister has an approved exemption from self-employment tax. (IRS)

**Common Mistake:** “My housing allowance is tax-free.”

**Better statement:** “My qualifying housing allowance may be excluded from **federal income tax**, but it is generally still included when calculating **SECA tax**.”

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## WHAT IF THE CHURCH PROVIDES A PARSONAGE?

A qualifying minister may generally exclude the **fair rental value of a church-provided parsonage** from federal gross income, subject to the reasonable-compensation limitation. If the minister personally pays utilities, a separately designated utility allowance may also qualify up to actual utility expenses. The parsonage's rental value generally remains relevant for SECA purposes. (IRS)

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## PASTOR'S ANNUAL CHECKLIST

- Estimate next year's housing expenses.
- Estimate the home's fair rental value, including furnishings and utilities.
- Request an appropriate housing designation before payments begin.
- Keep receipts and documentation throughout the year.
- Compare actual expenses with the designated allowance at year-end.
- Report any excess allowance as taxable income.

- Include the appropriate housing amount when calculating SECA.
  - Review the calculation annually with a tax professional familiar with **clergy taxation**.
- 

## REMEMBER THE THREE NUMBERS

**DESIGNATED**

vs.

**ACTUALLY SPENT**

vs.

**FAIR RENTAL VALUE**

**You can generally exclude only the LOWEST amount. ([IRS](#))**

**Primary IRS Resource:** *Publication 517 — Social Security and Other Information for Members of the Clergy and Religious Workers*. The IRS updated its clergy guidance in 2026 and continues to direct ministers to Publication 517 for housing-allowance and SECA rules. ([IRS](#))

## WHO QUALIFIES FOR THE MINISTER'S HOUSING ALLOWANCE?

### A Decision Tree for Pastors, Church Boards & Treasurers

The **job title alone does not determine eligibility**. A church cannot make someone eligible simply by calling the employee a “pastor” or designating part of the employee's salary as housing allowance. Eligibility depends on the individual's **ministerial status and duties**. IRS Publication 517 defines ministers as persons duly ordained, commissioned, or licensed by a church or denomination and describes the ministerial functions relevant to that status. ([IRS](#))

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## START HERE

**1. Is the individual duly ORDAINED, LICENSED, or COMMISSIONED by a church or denomination?**

**NO**



**✗ GENERALLY DOES NOT QUALIFY**

Examples may include:

- Church secretary
- Bookkeeper
- Custodian
- Administrative assistant
- Non-credentialed ministry director
- Non-credentialed worship leader
- Ministry intern who has not been ordained, licensed, or commissioned

A theological student serving as an intern or assistant pastor does not qualify merely because the person performs pastoral work; the IRS states that the student must be ordained, commissioned, or licensed. ([IRS](#))

**YES**



**GO TO QUESTION 2**

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**2. If the denomination both ordains some ministers and licenses or commissions others, is this person authorized to perform substantially all the religious functions of an ordained minister?**

**NO**



**✗ GENERALLY DOES NOT QUALIFY**

The IRS specifically notes that a commissioned minister of music, minister of education, administrator, or similar worker does not receive the housing exclusion if that person is not authorized to perform substantially all the religious duties of an ordained minister in that church. ([IRS](#))

**YES**



**GO TO QUESTION 3**

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**3. Is the individual being compensated for services performed in the exercise of ministry?**

Ministerial services generally include such activities as:

- Conducting religious worship
- Performing sacerdotal or pastoral functions
- Administering ordinances or sacraments according to the denomination's practices
- Directing, managing, promoting, or maintaining the activities of a church or qualifying religious organization (IRS)

**NO**



**⚠ MAY NOT QUALIFY FOR THAT EMPLOYMENT**

Being credentialed does not automatically make every job a ministerial position.

**YES**



**GO TO QUESTION 4**

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**4. Is the minister serving a church or qualifying religious organization in a qualifying ministerial capacity?**

**YES**



**✓ POTENTIALLY ELIGIBLE FOR A HOUSING ALLOWANCE**

Common examples may include:

- Lead/Senior Pastor
- Associate Pastor
- Executive Pastor
- Youth Pastor
- Children's Pastor
- Campus Pastor
- Worship Pastor
- Discipleship Pastor
- Evangelist

**provided the individual meets the ministerial-status and duties tests above.**

A qualifying minister employed as a teacher or administrator by a **church school, college, or university** is also treated as performing ministerial services for purposes of the housing exclusion. (IRS)

↓

**GO TO QUESTION 5**

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**5. Did the church or qualified employing organization officially designate the housing allowance BEFORE the compensation was paid?**

**NO**

↓

**✗ NO HOUSING ALLOWANCE EXCLUSION FOR THOSE PAYMENTS**

A housing allowance cannot be created retroactively. The designation may appear in board minutes, an employment agreement, a budget, or another official action taken before payment. (IRS)

**YES**

↓

**✓ HOUSING ALLOWANCE MAY BE AVAILABLE**

The minister must still satisfy the normal limits on how much can actually be excluded from federal income tax. (IRS)

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## QUICK POSITION GUIDE

| Church Position                                     | Typical Result        |
|-----------------------------------------------------|-----------------------|
| Credentialed Lead Pastor performing pastoral duties | ✓ Generally qualifies |
| Credentialed Associate Pastor                       | ✓ Often qualifies     |
| Credentialed Youth/Children's Pastor                | ✓ Often qualifies     |
| Credentialed Executive Pastor directing ministry    | ✓ May qualify         |

| Church Position                                                      | Typical Result                                 |
|----------------------------------------------------------------------|------------------------------------------------|
| Credentialed Worship Pastor                                          | ⚠ Depends on ministerial authority and duties  |
| “Pastor” with no ordination, license, or commission                  | ✗ Generally does not qualify                   |
| Commissioned administrator without full ministerial authority        | ✗ Generally does not qualify                   |
| Church secretary/bookkeeper                                          | ✗ Does not qualify merely by church employment |
| Custodian/facilities employee                                        | ✗ Does not qualify merely by church employment |
| Non-credentialed ministry intern                                     | ✗ Generally does not qualify                   |
| Credentialed minister teaching at a church school                    | ☑ May qualify                                  |
| Credentialed minister working for a nonchurch or government employer | ⚠ Obtain specialized tax advice                |

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## THE FOUR QUESTIONS A BOARD SHOULD ASK

Before approving a housing allowance, document answers to these questions:

### 1. CREDENTIALS

Is the person duly ordained, licensed, or commissioned?

### 2. AUTHORITY

Does the person's credential and position carry the ministerial authority required by the person's church or denomination?

### 3. DUTIES

Is the person actually performing services in the exercise of ministry?

### 4. DESIGNATION

Has the church officially designated the housing allowance **in advance**?

**If those questions are not clearly answered, get professional advice before approving the allowance.**

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## IMPORTANT DISTINCTION

**Having ministerial credentials does not automatically qualify every paycheck for the housing allowance.**

Likewise:

**Having “Pastor” in a job title does not create ministerial tax status.**

The IRS looks at the person's **credentialing, authority, actual duties, and circumstances of employment**, not simply the title printed on a business card. ([IRS](#))

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## BOARD BEST PRACTICE

Maintain documentation in the personnel file showing:

- Ministerial credential/status
- Position description
- Ministerial responsibilities
- Annual compensation approval
- Annual housing allowance resolution

When eligibility is uncertain—particularly for worship, education, administrative, chaplaincy, school, or parachurch positions—consult a CPA or tax attorney experienced in **clergy taxation** before relying on the exclusion.

**Primary Authority:** IRS Publication 517, *Social Security and Other Information for Members of the Clergy and Religious Workers*, and IRS Topic No. 417, *Earnings for Clergy*. ([IRS](#))

*Educational resource only. Clergy taxation is specialized. Ministers and churches should consult a qualified tax professional familiar with ministerial taxation for advice regarding individual circumstances.*

# PASTOR'S FAMILY FINANCIAL PROTECTION CHECKLIST

## Practical Steps to Protect the People You Love

A pastor's financial plan should answer one important question:

*“If something happened to me tomorrow, would my family be financially prepared?”*

Use this checklist with your spouse and review it **at least annually** and after major life changes.

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## 1. BUILD A FINANCIAL SAFETY NET

- Maintain an **emergency fund** appropriate for your family's needs, with a goal such as 3–6 months of essential expenses.
- Know your family's essential monthly expenses: \$ \_\_\_\_\_
- Reduce or eliminate high-interest consumer debt.
- Maintain adequate cash reserves for major deductibles and unexpected expenses.
- Make sure your spouse knows where bank, investment, insurance, tax, and retirement information is located.

A dedicated emergency fund and accessible financial records can help families respond more effectively to unexpected financial shocks. ([Consumer Financial Protection Bureau](#))

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## 2. PROTECT YOUR INCOME

### LIFE INSURANCE

- Determine how much income your family would lose if you died.
- Review **term and/or permanent life insurance** appropriate to your circumstances.
- Include these needs when evaluating coverage:
  - Mortgage and other debts
  - Income replacement
  - Children's education
  - Final expenses
  - Spouse's retirement needs
  - Special family obligations

- Do not depend solely on a small employer-provided policy.
- Review coverage after marriage, births, major debt changes, or compensation changes.

**Current Death Benefit:** \$ \_\_\_\_\_

**Additional Coverage Needed:** \$ \_\_\_\_\_

## **DISABILITY INSURANCE**

Remember:

**Your ability to earn an income may be one of your family's largest financial assets.**

- Determine what disability coverage your church provides.
- Review both short-term and long-term disability protection.
- Know the elimination/waiting period and benefit period.
- Understand how much of your current income would actually be replaced.
- Consider individual coverage if employer coverage is inadequate.

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# **3. PROTECT AGAINST MAJOR MEDICAL & LIABILITY COSTS**

## **HEALTH INSURANCE**

- Review health insurance annually.
- Know your deductible.
- Know your family's maximum out-of-pocket exposure.
- Maintain funds to cover significant deductibles.
- Review dental and vision coverage as appropriate.
- Consider an HSA when eligible and appropriate.

## **UMBRELLA LIABILITY INSURANCE**

- Review personal liability limits on your homeowner's/renter's and auto policies.
- Ask your insurance professional whether an **umbrella liability policy** is appropriate.
- Make sure all appropriate vehicles, properties, and drivers are disclosed to your insurer.

## **LONG-TERM CARE**

- As you approach later working years, discuss potential long-term-care costs with a qualified advisor.

- Evaluate insurance, personal assets, retirement resources, and other strategies for addressing long-term-care risk.
  - Revisit the issue as your age, health, and financial situation change.
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## 4. PREPARE YOUR ESTATE DOCUMENTS

Every pastor should have an appropriate estate plan.

- **Will**
- **Durable Financial Power of Attorney**
- **Healthcare Power of Attorney / Healthcare Proxy**
- **Advance Healthcare Directive / Living Will**
- **Guardianship provisions for minor children**
- Trust documents, if appropriate
- Funeral/burial wishes communicated to family

Have estate documents prepared or reviewed by a qualified attorney familiar with the laws of your state.

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## 5. REVIEW YOUR BENEFICIARIES

Beneficiary designations are especially important on retirement accounts and should be reviewed after major family changes. ([IRS](#))

Review the beneficiaries on:

- 403(b), 401(k), and other employer retirement accounts
- Traditional and Roth IRAs
- Life insurance policies
- Annuities
- Pension benefits
- Bank/investment accounts with TOD or POD designations where appropriate

**Review after:**

**Marriage • Divorce • Birth • Adoption • Death • Retirement • Major family changes**

**Do not assume your will automatically controls every account with a beneficiary designation.**

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## 6. PROTECT YOUR DIGITAL LIFE

Create a secure plan for your **digital assets**.

- Make an inventory of important online accounts.
- Use a secure password manager.
- Make sure your spouse or trusted representative knows how to obtain needed access.
- Document important digital assets and subscriptions.
- Establish legacy contacts where available.
- Include digital assets in your estate-planning discussion.
- Store critical financial information securely, with an accessible backup.

CFPB emergency-planning guidance recommends maintaining secure access to important financial records such as banking, insurance, and creditor information. ([Consumer Financial Protection Bureau](#))

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## 7. ADDRESS PASTOR-SPECIFIC FINANCIAL ISSUES

Pastors have several financial considerations that differ from many other employees.

- Review your **housing allowance** annually.
- Understand your **SECA/Social Security tax obligations**.
- Make sure taxes are being adequately withheld or paid through estimated payments where appropriate.
- Review your church's **403(b) or other retirement plan**.
- Know exactly what insurance benefits would continue for your family if you died or became disabled.
- Determine whether church-owned benefits are portable if you change churches.
- Keep personal copies of compensation, retirement, and insurance records.

Qualifying housing allowance may receive special federal income-tax treatment, while ministerial services are generally subject to Social Security and Medicare under the self-employment tax system. ([IRS](#))

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## 8. MAKE SURE YOUR SPOUSE KNOWS THE PLAN

Your financial plan should not exist only in your head.

Can your spouse answer these questions?

- Where are our bank accounts?
- Where are our retirement accounts?
- Who is our financial advisor?
- Who prepares our taxes?
- Where are our insurance policies?
- Where are our will and estate documents?
- How would I access money immediately?
- What debts do we owe?
- What benefits would I receive if you died?
- Who should I call first?

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## YOUR FAMILY PROTECTION TEAM

Write down the professionals your spouse should contact:

**Attorney:** \_\_\_\_\_

**CPA / Tax Professional:** \_\_\_\_\_

**Financial Advisor:** \_\_\_\_\_

**Insurance Professional:** \_\_\_\_\_

**Retirement Provider:** \_\_\_\_\_

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## THE PASTOR'S ANNUAL FAMILY PROTECTION REVIEW

Once each year, sit down with your spouse and review:

**Insurance • Emergency Savings • Retirement • Estate Documents • Beneficiaries • Taxes • Digital Assets**

**Financial stewardship is not only about providing for your family today. It is also about preparing wisely for the day when they may have to move forward without you.**

*Educational resource only. Insurance, tax, investment, and estate-planning decisions should be made in consultation with qualified professionals familiar with your individual circumstances and applicable state law.*